



February 9, 2007

SENATE BILL No. 400

DIGEST OF SB 400 (Updated February 6, 2007 1:28 pm - DI 73)

Citations Affected: IC 6-3.1; noncode.

Synopsis: Tax credits. Provides a tax credit against certain state taxes for expenditures made by an employer to pay or reimburse an employee for the costs of tuition and fees for basic skills education and training.

Effective: Upon passage; July 1, 2007.

Ford, Merritt

January 11, 2007, read first time and referred to Committee on Tax and Fiscal Policy.
February 8, 2007, amended, reported favorably — Do Pass.

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SB 400—LS 7781/DI 51+



February 9, 2007

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

SENATE BILL No. 400

A BILL FOR AN ACT to amend the Indiana Code concerning economic development.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-31 IS ADDED TO THE INDIANA CODE
2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2007]:

4 **Chapter 31. Basic Skills Training Course Tax Credit**

5 **Sec. 1. As used in this chapter, "credit" refers to a tax credit**
6 **against state tax liability.**

7 **Sec. 2. As used in this chapter, "employer" has the meaning set**
8 **forth in IC 22-4-7.**

9 **Sec. 3. As used in this chapter, "pass through entity" means a:**

10 (1) corporation that is exempt from the adjusted gross income
11 tax under IC 6-3-2-2.8(2);

12 (2) partnership;

13 (3) limited liability company; or

14 (4) limited liability partnership.

15 **Sec. 4. As used in this chapter, "qualified employee" means an**
16 **individual in an employment relationship (as defined in**
17 **IC 22-4-8-1) with a qualified employer.**

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1 **Sec. 5.** As used in this chapter, "qualified employer" means an
 2 employer that has been awarded a credit under section 8 of this
 3 chapter.

4 **Sec. 6.** As used in this chapter, "state tax liability" means a
 5 taxpayer's total state tax liability that is incurred under:

6 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

7 (2) IC 6-5.5 (the financial institutions tax); and

8 (3) IC 27-1-18-2 (the insurance premium tax);

9 as computed after the application of the credits that under
 10 IC 6-3.1-1-2 are to be applied before the credit provided by this
 11 chapter.

12 **Sec. 7.** As used in this chapter, "taxpayer" means an individual
 13 or entity that has state tax liability.

14 **Sec. 8. (a)** The department of workforce development shall
 15 carry out a program to qualify employers for a credit of not more
 16 than fifty thousand dollars (\$50,000) per taxable year for fifty
 17 percent (50%) of a qualified employer's cost for all qualified
 18 employees' expenses for tuition and regularly assessed fees, not to
 19 exceed five hundred dollars (\$500) per qualified employee, that are
 20 incurred to complete basic skills training courses.

21 (b) The department of workforce development may award not
 22 more than five million dollars (\$5,000,000) per state fiscal year in
 23 tax credits under this chapter.

24 (c) The department of workforce development shall determine
 25 the:

26 (1) qualifications for an award of credits under this chapter;

27 (2) amount of credits to be awarded to each qualifying
 28 employer; and

29 (3) tuition and regularly assessed fees that are eligible for the
 30 credit under this chapter.

31 **Sec. 9.** The department of workforce development shall certify
 32 the maximum amount of credit that a qualified employer is eligible
 33 for in a taxable year to the qualified employer. The maximum
 34 amount of credit that the department of workforce development
 35 may certify for a qualified employer for a taxable year is fifty
 36 thousand dollars (\$50,000).

37 **Sec. 10. (a)** A qualified employer that has a qualified employee
 38 who completes a basic skills training course and achieves a:

39 (1) general education degree (GED) or high school equivalent
 40 degree as defined by the state department of education under
 41 IC 20-20-6; or

42 (2) skill level gain in mathematics, reading, or computer

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1 literacy as determined by the department of workforce
2 development;

3 in a taxable year is entitled to a credit against the qualified
4 employer's state tax liability for the taxable year.

5 (b) The amount of the credit to which the qualified employer is
6 entitled for a particular qualified employee is the least of the
7 following:

8 (1) Fifty percent (50%) of the qualified employer's costs for
9 the qualified employee's tuition expenses and regularly
10 assessed fees.

11 (2) Five hundred dollars (\$500).

12 (3) The balance of the credits awarded to the qualified
13 employer for the taxable year that has not been applied
14 toward the costs of another basic skills training course.

15 Sec. 11. If a pass through entity is entitled to a credit under this
16 chapter but does not have state tax liability against which the
17 credit may be applied, a shareholder, partner, or member of the
18 pass through entity is entitled to a credit equal to:

19 (1) the credit determined for the pass through entity for the
20 taxable year; multiplied by

21 (2) the percentage of the pass through entity's distributive
22 income to which the shareholder, partner, or member is
23 entitled.

24 Sec. 12. A taxpayer is not entitled to a carryforward, carryback,
25 or refund of any unused credit.

26 Sec. 13. To receive a credit, a taxpayer must claim the credit on
27 the taxpayer's annual state tax return or returns in the manner
28 prescribed by the department of state revenue or (in the case of the
29 premiums tax) the department of insurance. A qualified employer
30 must provide a copy of the certification letter received from the
31 department of workforce development when the credit is claimed
32 on the taxpayer's tax return.

33 Sec. 14. Not more than ninety (90) days after the end of a state
34 fiscal year, the:

35 (1) department of state revenue; and

36 (2) department of insurance;

37 shall certify to the department of workforce development the name
38 of each taxpayer awarded a credit and the total amount of credits
39 claimed on tax returns processed during the immediately preceding
40 state fiscal year.

41 Sec. 15. (a) The department of workforce development shall
42 before June 1 of each year estimate the total amount of credits that

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will be certified under section 9 of this chapter for the following state fiscal year. The department of workforce development shall before June 30 of each year transfer to the state general fund as follows the amount estimated for the following state fiscal year:

(1) Fifty percent (50%) of the amount shall be transferred from the skills 2016 fund established by IC 22-4-10.5-2.

(2) Fifty percent (50%) of the amount shall be transferred from the special employment and training services fund established by IC 22-4-25-1.

(b) Notwithstanding subsection (a), for the state fiscal year beginning July 1, 2007, the department of workforce development shall before August 1, 2007, estimate the total amount of credits that will be certified under section 9 of this chapter in the state fiscal year beginning July 1, 2007, and shall make the transfer to the state general fund required by subsection (a) before September 1, 2007.

(c) The department of workforce development shall adjust each transfer made under subsection (a) to account for any amounts by which the transfer made under subsection (a) in the previous year was less than or greater than the amount of credits actually certified under section 9 of this chapter in the state fiscal year.

Sec. 16. The department of workforce development shall audit each taxpayer to ensure that a qualified employer's qualified employees have completed the requirements that qualify a taxpayer for a credit granted under this chapter.

Sec. 17. This chapter expires December 31, 2008.

SECTION 2. [EFFECTIVE UPON PASSAGE] To carry out IC 6-3.1-31, as added by this act, the department of workforce development may adopt temporary rules in the manner provided for the adoption, filing, and publication of emergency rules under IC 4-22-2-37.1. A temporary rule adopted under this SECTION expires on the earlier of the following:

(1) The date that another temporary rule is adopted under this SECTION to replace the previously adopted temporary rule.

(2) January 1, 2009.

SECTION 3. An emergency is declared for this act.

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SENATE MOTION

Madam President: I move that Senator Merritt be removed as author of Senate Bill 400 and that Senator Ford be substituted therefor.

MERRITT

SENATE MOTION

Madam President: I move that Senator Merritt be added as second author of Senate Bill 400.

FORD

COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 400, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete lines 1 through 17.

Delete pages 2 through 3.

Page 4, delete lines 1 through 33.

Page 5, delete line 14.

Page 5, line 15, delete "(2)" and insert "(1)".

Page 5, line 16, delete "(3)" and insert "(2)".

Page 5, line 17, delete "(4)" and insert "(3)".

Page 5, line 36, delete "and".

Page 5, line 38, after "employer" delete "." and insert "; and

(3) tuition and regularly assessed fees that are eligible for the credit under this chapter."

Page 5, line 41, after "employer." insert "**The maximum amount of credit that the department of workforce development may certify for a qualified employer for a taxable year is fifty thousand dollars (\$50,000).**".

Page 6, line 11, after "entitled" insert "**for a particular qualified employee**".

Page 6, line 12, delete "a" and insert "**the**".

Page 6, line 13, after "expenses" delete "." and insert "**and regularly assessed fees.**".



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Page 7, delete lines 2 through 4, begin a new paragraph and insert:

"Sec. 15. (a) The department of workforce development shall before June 1 of each year estimate the total amount of credits that will be certified under section 9 of this chapter for the following state fiscal year. The department of workforce development shall before June 30 of each year transfer to the state general fund as follows the amount estimated for the following state fiscal year:".

Page 7, between lines 9 and 10, begin a new paragraph and insert:

"(b) Notwithstanding subsection (a), for the state fiscal year beginning July 1, 2007, the department of workforce development shall before August 1, 2007, estimate the total amount of credits that will be certified under section 9 of this chapter in the state fiscal year beginning July 1, 2007, and shall make the transfer to the state general fund required by subsection (a) before September 1, 2007.

(c) The department of workforce development shall adjust each transfer made under subsection (a) to account for any amounts by which the transfer made under subsection (a) in the previous year was less than or greater than the amount of credits actually certified under section 9 of this chapter in the state fiscal year."

Page 7, delete lines 15 through 24.

Page 7, line 26, after "IC 6-3.1-31" insert ",".

Page 7, line 26, delete "and IC 22-4-25-3, both".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 400 as introduced.)

KENLEY, Chairperson

Committee Vote: Yeas 9, Nays 0.

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